

COMPLIANCE AUDIT

Penn Hills Volunteer Fireman's Relief Association, Penn Hills, Allegheny County, Commonwealth of Pennsylvania

For the Period
January 1, 2015 to December 31, 2016

January 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Dave Zacchia, President
Penn Hills Volunteer Fireman's Relief
Association, Penn Hills, Allegheny County,
Commonwealth of Pennsylvania

We have conducted a compliance audit of the Penn Hills Volunteer Fireman's Relief Association, Penn Hills, Allegheny County, Commonwealth of Pennsylvania (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2015 to December 31, 2016.

The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2015 to December 31, 2016, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the finding listed below and discussed later in this report.

Finding – Duplicate Payments

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

January 29, 2018



EUGENE A. DEPASQUALE
Auditor General

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

The relief association is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 governs the overall operation of volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of relief associations to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2015</u>	<u>2016</u>
Penn Hills Township	Allegheny	\$208,880	\$207,643

The volunteer firefighters' relief association and the affiliated fire service organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Penn Hills Volunteer Fire Company No. 1

Rosedale Volunteer Fire Department No. 2

North Bessemer Community Volunteer Fire Department No. 3

Point Breeze Volunteer Fire Department No. 4

Thad Stevens Volunteer Fire Department No. 5

Penn Hills Volunteer Fire Company No. 7

Universal Volunteer Fire Department Incorporated No. 6

PENN HILLS VOLUNTEER FIREMAN'S RELIEF ASSOCIATION, PENN HILLS,
ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Duplicate Payments

Condition: On February 11, 2016, the relief association expended \$1,825 for a cutters edge vent saw and \$1,710 for hose testing. On April 13, 2016, the relief association erroneously made duplicate payments for the same expenditures. As such, the second payments are considered unauthorized disbursements because no goods or services were received for the payments.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payments of invoices.

Cause: The relief association failed to establish adequate internal control procedures that require all invoices or other billing documents to be canceled or otherwise effectively marked to prevent duplicate payments.

Effect: As a result of the erroneous payments, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$3,535 for the erroneous duplicate payments. The relief association officials should consider contacting the vendor to recover the duplicate payments. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$3,535 on December 15, 2017.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

PENN HILLS VOLUNTEER FIREMAN'S RELIEF ASSOCIATION, PENN HILLS,
ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 130,248
Fair Value of Investments	<u>699,696</u>
Total Cash and Investments	<u>\$ 829,944</u>

PENN HILLS VOLUNTEER FIREMAN'S RELIEF ASSOCIATION, PENN HILLS,
 ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 199,958
Fire Services:	
Equipment purchased	\$ 234,327
Equipment maintenance	87,849
Training expenses	889
Fire prevention materials	4,146
Total Fire Services	\$ 327,211
Administrative Services:	
Other administrative expenses	\$ 2,446
Bond premiums	1,081
Total Administrative Services	\$ 3,527
Total Expenditures	\$ 530,696

PENN HILLS VOLUNTEER FIREMAN'S RELIEF ASSOCIATION, PENN HILLS,
ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Penn Hills Volunteer Fireman's Relief Association, Penn Hills, Allegheny County,
Commonwealth of Pennsylvania Governing Body:

Mr. Dave Zacchia
President

Mr. William Gentile
Vice President

Mr. Matthew Henshaw
Secretary

Mr. Robert Scott
Treasurer

Mr. Jeffrey Nave
Administrative Assistant

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association:

Ms. Diane G. Fitzhenry
Secretary
Penn Hills Township

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.